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16 April 1954

M/R

SUBJECT: CSW Operations

REF : See KUEHNE- [] Meeting M/R dated 7 April 1954

1. At a meeting on 13 April with @ KUEHNE, [] introduced the subject of CSW operations. He cited:

a. The position taken by [] in the 1 January 1954 policy statement to ZIPPER, viz., no funds for CSW.

b. s 13 January 1954 letter to UTILITY, viz., no further support of CSW operations until the security aspects are resolved.

In view of the above-cited letters, a memo from [] to @ Dr. KOMMERT giving approval for three CSW Forschungen to become operations had been held up by []. As a result of this incident, plus others that would undoubtedly follow, it will soon become evident to [] and to @ Dr. KOMMERT, who are not privy to the security case involved, that something is rotten in Bavaria. [] stated that [] had taken two recent steps with regard to this case. The first was to send Dr. SCHNEIDER a letter on 13 April, just 90 days since the 13 January letter, reiterating his position against all further support of CSW operations unless and until the security aspects were clarified. The second was the designation of [] and [] to review the entire case and to come up with recommendations to Wallop for final resolution.

2. [] asked @ KUEHNE, who is vitally concerned with the case, for his off-the-record reaction to the following proposed solution:

STEP I:

- A. POB and ZIPPER together should actively institute all possible means of external investigation of @ PARKER. This should include complete mail and censorship intercepts, installation of clandestine auditory devices in his home, office, and any other places which he principally frequents if this is at all possible, the conduct of physical surveillance wherever and whenever possible in the course of @ PARKER's daily activities to include operational trips to Austria and throughout Germany, the complete tracing and investigation of all known cover names and cover firms which @ PARKER utilizes, the investigation and surveillance of @ PARKER's personal, professional and business contacts wherever indicated.

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STEP II:

- A. Subsequent to pursuing all the leads developed in STEP I and dependent upon the extent of conclusive results therefrom, @ PARKER should be confronted with the derogatory information both by ZIPPER and POB. It is presumed that if the evidence at this stage is conclusive or seriously damaging that ZIPPER will readily participate in this confrontation even to include the re-use of the complete LCFLUTTER testing.
- B. If, however, the results are neither conclusive nor sufficiently damaging to permit UTILITY, in good conscience and loyalty to his Staff, to participate in the confrontation of @ PARKER, ZIPPER can then drop out of the investigation at this stage. If this is done, however, it should be clearly understood that POB will insist upon one of the following alternatives:
- (1) @ PARKER is dropped completely, his operations closed out, and his CSW staff thoroughly screened before retention in whole or in part.
 - (2) That the POB Staff will, on its own, by virtue of its interest in the support of ZIPPER, go ahead with confrontation of @ PARKER to include full interrogation and investigation of all unanswered questions and a full LCFLUTTER testing program.
- C. POB is willing in the event of B(2) above to have UTILITY deny to @ PARKER that he shares any of POB's misgivings as well as any part or assistance his Organization may have given to the whole investigation but that in view of his overall obligations to POB by virtue of its support to ZIPPER he cannot stand in the way of POB's action. Vis-a-vis @ PARKER, POB, in addition to reasons already cited, is certainly justified in pursuing evidences and even allegations of hostile activity by anyone in the American Occupation Zone of Germany if only to determine that such activity has or has not as its goal espionage or sabotage aimed at U.S. interests.

STEP III

A. Is dependent upon the results of STEP II:

- (1) If @ PARKER resigns at our insistence (alternative B.(1) above) it is then proposed that KUBARK and ODOPAL together pursue the case against @ PARKER as an individual.
- (2) If it is determined that he is or was guilty of hostile activity that he be dropped from ZIPPER and prosecuted if feasible. Due regard, however, should be devoted to the possibility of exploiting him CE-wise against his Eastern sponsor (if such should be the case).
- (3) If the case should wind up inconclusive but still leave him highly suspect, then the minimum solution POB will insist upon is his neutralization; certainly while ZIPPER is still dependent upon U.S. support.

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3. @ KUEHNE stated that the proposal as outlined by [] was one with which he could say, off-the-record, that he was in agreement. Moreover, he promised to feel out UTILITY's viewpoint and reactions to such a line of action without, however, making it appear that @ KUEHNE and [] had gotten their heads together on the case nor indicating in any way that the initiative or the handling of this matter was as yet any other than on the UTILITY-[] level. He added that it was his personal feeling that UTILITY might very probably be willing to accept the plan, if not in detail at least in principle. In closing @ KUEHNE stated that it is his belief that mail and telephone intercepts already existed in this case and had been agreed upon by the ZIPPER and POB Staffs. [], who was not clear on this point, stated that as far as he knew there had been no such agreement but he could not say for sure without completing his review of the entire case.

[K98.]

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